



## **PUBLIC DISCLOSURE**

June 3, 2019

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

New Republic Savings Bank  
Charter Number 715223

420 Becker Drive  
Roanoke Rapids, NC 27870

Office of the Comptroller of the Currency

212 South Tryon Street  
Suite 700  
Charlotte, NC 28281

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated: **Satisfactory**

**The lending test is rated: Satisfactory**

The major factors that support this rating include:

- The Lending Test rating is based on the State of North Carolina. The bank did not have branches or deposit-taking ATMs outside of North Carolina during the evaluation period. As a result, we have only one rating area.
- The bank's quarterly average loan-to-deposit ratio is more than reasonable based on the bank's size, financial condition, and relevant competitive factors and totaled 112.61 percent.
- The bank exhibits a reasonable geographic distribution of loans in the assessment area (AA).
- The bank exhibits a reasonable distribution of loans to borrowers of different incomes.

### Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA(s), the bank's loan-to-deposit ratio is more than reasonable. Beginning with the quarter ending June 30, 2014 to March 31, 2019, the average quarterly LTD ratio was 112.61 percent, ranging from a quarterly low of 103.75 percent and a quarterly high of 121.4 percent. In comparison, over the same 20 quarters, the quarterly average LTD ratio among similarly sized financial institutions in North Carolina and South Carolina is 83.89 percent, with a quarterly low of 63.87 percent and a quarterly high of 114.57 percent.

### Lending in Assessment Area

A majority of the bank's loans are outside its assessment area(s) (AAs). However, when you consider the declining economies and high poverty levels of the AAs, coupled with the more than reasonable loan to deposit ratio of 112.61 percent, the percentage of loans originated inside the AA is considered satisfactory.

The bank originated and purchased 78 loans representing 40.2 percent of its total loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank level, rather than the AA level.

<b>Lending Inside and Outside of the Assessment Area</b>										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	78	40.2	116	59.8	194	6,423	26.8	17,525	73.2	23,948
Total	78	40.2	116	59.8	194	6,423	26.8	17,525	73.2	23,948

Halifax County and Nash County, two of the bank's AAs, are mature markets the bank has actively lent to for the past 20 years. During the evaluation period, Nash and Halifax Counties have experienced continued significant decline in population, with poverty levels rising each year of the evaluation period. There are industries that have expressed interest in moving to the region, but those job opportunities and the subsequent boost to the economy will not be realized until 2020. While, the bank still originates loans in the AAs, the pool of potential borrowers in Halifax and Nash Counties has continued to decrease in conjunction with the decline in economic conditions. This has led the bank to lend outside of its legacy AAs and open a new full-service branch in Burlington County in May 2018. This market is not as mature and loan growth in the new AA and the surrounding communities has been stable.

The loan to deposit average of 112.61 percent is more than reasonable and significantly higher than peer. As a result, while the ratio of loans originated inside the AAs is lower, the extent of lending is greater than similarly situated peer bank's with lower LTD ratios who may have more loans inside their AAs.

## **Description of Institution**

New Republic Savings Bank (NRSB or the bank) is a federally chartered, stock savings bank headquartered in Roanoke Rapids, North Carolina. The bank is a single state institution with three full service branches located in Rocky Mount, Burlington, and Roanoke Rapids, North Carolina. There are two deposit taking ATMS, one attached to the Rocky Mount Branch and the other at the Roanoke Rapids Branch.

NRSB offers a range of loan and deposit services. Offerings include 1-4 family investor owned residential mortgages, home equity lines of credit (HELOC), business loans, and personal and business deposit accounts. Due to the high cost and reduced profitability of mortgage lending, and the retirement of the bank's mortgage lender in December 2015, the bank made the decision to discontinue traditional 1-4 family residential mortgages lending after that date.

The bank operates as a savings association with a focus on investor owned 1-4 family residential mortgages. As of December 31, 2018, the bank had total assets of \$65.2 million and tier 1 capital of \$6.5 million. Net loan and leases represented 84.77 percent of total assets.

The bank has identified three AAs, Alamance County, Halifax County, and Nash County in their entirety. The bank opened a full service branch in Burlington County, located in the Alamance County AA, in May of 2018. There was previously an LPO in Burlington County, but given that the branch did not open and start taking deposits until 2018, we did not consider activity in this AA for 2016 or 2017. All three AAs are included in the State of North Carolina Rating Area. The bank did not have any branches or deposit taking ATMs located outside of the state.

The bank received a "Satisfactory" rating during the last CRA evaluation dated April 30, 2014. There are no known legal, financial, or other factors impeding New Republic bank's ability to help meet the credit needs of its AAs.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

This performance evaluation assesses New Republic Bank's (NRB) capacity to help meet the credit needs of the community in which it operates. The review period for this evaluation includes January 1, 2016 through December 31, 2018. We assessed the bank's performance using HMDA LAR data for home mortgages during this time period.

### **Selection of Areas for Full-Scope Review**

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

### **Ratings**

The bank's overall rating is a blend of the state ratings, and where applicable, multistate ratings. The bank has only one rating area, the State of North Carolina, and one primary product investor-owned home mortgages.

The state rating is based on performance in all bank AAs. Refer to the "Scope" section under each state and MMSA Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## **State Rating**

### **State of North Carolina**

#### **CRA rating for the State of North Carolina<sup>1</sup>: Satisfactory**

#### **The Lending Test is rated: Satisfactory**

The major factors that support this rating include:

- The bank's quarterly average loan-to-deposit ratio is more than reasonable based on the bank's size, financial condition, and relevant competitive factors and totaled 112.6 percent.
- The bank's distribution of loans represents an excellent geographic distribution throughout the Alamance County AA.
- The bank's distribution of loans represents a reasonable geographic distribution throughout the Halifax County AA.
- The bank's distribution of loans represents a reasonable geographic distribution throughout Nash County AA.
- The bank's distribution of loans represents a reasonable penetration among borrowers of different income levels in Alamance County.
- The bank's distribution of loans represents a reasonable penetration among borrowers of different income levels in Halifax County.
- The bank's distribution of loans represents a reasonable penetration among borrowers of different income levels in Nash County.

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<sup>1</sup> This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within a MMSA.

## Description of Institution's Operations in the State of North Carolina

### Alamance County

New Republic has identified Alamance County as an assessment area. The information in the following tables provides demographic information for 2016 and 2017-2018.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Alamance 2016</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	36	0.0	19.4	47.2	33.3	0.0
Population by Geography	151,131	0.0	21.9	47.9	30.2	0.0
Housing Units by Geography	65,170	0.0	22.4	48.1	29.5	0.0
Owner-Occupied Units by Geography	40,155	0.0	17.1	48.3	34.6	0.0
Occupied Rental Units by Geography	18,845	0.0	31.7	47.3	21.1	0.0
Vacant Units by Geography	6,170	0.0	28.6	49.3	22.1	0.0
Businesses by Geography	7,958	0.0	18.6	51.3	30.1	0.0
Farms by Geography	278	0.0	7.9	62.2	29.9	0.0
Family Distribution by Income Level	39,987	21.3	17.0	20.7	41.0	0.0
Household Distribution by Income Level	59,000	24.4	16.9	17.7	40.9	0.0
Median Family Income MSA - 15500 Burlington, NC MSA		\$52,806	Median Housing Value			\$138,406
			Median Gross Rent			\$715
			Families Below Poverty Level			12.1%
<i>Source: 2010 U.S. Census and 2016 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Alamance 2017-2018</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	36	0.0	25.0	47.2	27.8	0.0
Population by Geography	155,258	0.0	28.9	46.0	25.0	0.0
Housing Units by Geography	67,804	0.0	28.9	45.7	25.3	0.0
Owner-Occupied Units by Geography	40,273	0.0	22.9	47.8	29.3	0.0
Occupied Rental Units by Geography	21,272	0.0	39.2	41.8	19.0	0.0
Vacant Units by Geography	6,259	0.0	33.1	45.5	21.3	0.0
Businesses by Geography	8,026	0.0	25.7	46.9	27.4	0.0
Farms by Geography	293	0.0	13.3	50.9	35.8	0.0
Family Distribution by Income Level	40,938	21.8	17.8	18.3	42.1	0.0
Household Distribution by Income Level	61,545	23.8	17.2	17.3	41.8	0.0
Median Family Income MSA - 15500 Burlington, NC MSA		\$53,234	Median Housing Value			\$139,707
			Median Gross Rent			\$764
			Families Below Poverty Level			14.4%
<i>Source: 2015 ACS Census and 2018 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Alamance County AA is comprised of 36 census tracts, of which, 9 are moderate-income census tracts, 17 are middle-income census tracts, and 10 are upper-income census tracts. The AA consists of the entire county and does not arbitrarily exclude any low- or moderate-income census tracts. The total population of Alamance County was 155,258 for 2018, with a poverty rate of 14.4 percent, which is slightly below the 14.7 percent poverty rate for the state of North Carolina.

The bank has one branch in the AA which opened in 2018. New Republic faces considerable competition in the market from other financial institutions, including some large regional and national banks. According to the Federal Deposit Insurance Corporation (FDIC), as of June 30, 2018, NRB's deposits for the one branch located in the AA totaled \$205 thousand. This represents 0.01 percent (ranking 16<sup>th</sup> out of 16 institutions) of the total market share of deposits in the Alamance County AA. The 15 other institutions operate 38 offices in the community. The top three financial competitors are Wells Fargo, First Tennessee Bank, and American National Bank and Trust. Together they hold 50 percent of the AA's market share. Deposits in Alamance County represent 0.41 percent of the bank's total deposits.

As part of our evaluation, we interviewed a community contact from a local organization in Alamance County. The organization provides resources for new and existing businesses in the area in order to further economic development, enhance business growth, and retain industries. The contact stated that while the population and economy has improved and new businesses and industries have expressed interest in moving to the area, due to the location of Alamance County, between Greensboro and Wake County, many job opportunities are outside of the county. According to Data USA, the primary industries in Alamance County include healthcare and social assistance, manufacturing, and retail trade.

Top employers in the AA include the Alamance-Burlington School system, Laboratory Corporation of America and the Alamance Regional Medical Center.

## Halifax County

New Republic has identified Halifax County as an assessment area. The information in the following tables provides demographic data for 2016 and 2017-2018.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Halifax 2016</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	12	0.0	33.3	58.3	8.3	0.0
Population by Geography	54,691	0.0	33.7	56.6	9.7	0.0
Housing Units by Geography	25,829	0.0	31.8	58.6	9.5	0.0
Owner-Occupied Units by Geography	13,827	0.0	30.6	60.3	9.1	0.0
Occupied Rental Units by Geography	7,763	0.0	32.0	55.5	12.5	0.0
Vacant Units by Geography	4,239	0.0	35.6	58.9	5.5	0.0
Businesses by Geography	2,367	0.0	27.8	58.8	13.4	0.0
Farms by Geography	156	0.0	48.7	45.5	5.8	0.0
Family Distribution by Income Level	14,307	28.5	18.7	17.8	35.0	0.0
Household Distribution by Income Level	21,590	31.6	17.5	15.5	35.4	0.0
Median Family Income Non-MSAs - NC		\$46,764	Median Housing Value			\$92,409
			Median Gross Rent			\$577
			Families Below Poverty Level			19.1%
<p>Source: 2010 U.S. Census and 2016 D&amp;B Data            Due to rounding, totals may not equal 100.0            (*) The NA category consists of geographies that have not been assigned an income classification.</p>						

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Halifax 2017-2018</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	12	0.0	41.7	50.0	8.3	0.0
Population by Geography	53,407	0.0	41.0	49.7	9.3	0.0
Housing Units by Geography	25,719	0.0	40.1	50.6	9.3	0.0
Owner-Occupied Units by Geography	13,524	0.0	41.3	49.6	9.1	0.0
Occupied Rental Units by Geography	7,944	0.0	41.1	47.8	11.1	0.0
Vacant Units by Geography	4,251	0.0	34.6	58.9	6.6	0.0
Businesses by Geography	2,314	0.0	31.5	54.9	13.6	0.0
Farms by Geography	139	0.0	45.3	48.9	5.8	0.0
Family Distribution by Income Level	13,977	28.6	18.5	16.3	36.5	0.0
Household Distribution by Income Level	21,468	31.4	16.1	16.6	35.9	0.0
Median Family Income Non-MSAs - NC		\$47,794	Median Housing Value			\$92,157
			Median Gross Rent			\$676
			Families Below Poverty Level			20.9%
<i>Source: 2015 ACS Census and 2018 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Halifax County AA is located in northeastern North Carolina along the I-95 interstate and has access to the Ports of Virginia and the Port of Morehead. The Halifax County AA is comprised of 12 census tracts. Of the 12 tracts, 5 were moderate-income census tracts, 6 were middle-income census tracts, and 1 was an upper-income census tract. The AA consists of the entire county and does not arbitrarily exclude low- or moderate-income census tracts. In 2018, all six middle-income census tracts in Halifax County were designated as distressed or underserved middle-income census tracts. The total population of Halifax County is 53,407, with a poverty rate of 20.9 percent, which is significantly higher than the North Carolina's poverty rate of 14.7 percent.

The bank has one full-service branch in the AA and an ATM attached to the branch. There is significant competition in the market from other financial institutions. As of June 3, 2018, New Republic ranks 6<sup>th</sup> out of 9 with a deposit market share of 5.30 percent or \$35.68 million. The bank's deposits in Halifax County represent 70.21 percent of the bank's total deposits. The top three competitors in the market are BB&T, First-Citizens Bank, and PNC representing approximately 72 percent of the deposit market share combined.

According to Data USA, the largest industries in the AA are manufacturing, healthcare and social assistance, retail trade, and transportation and warehousing. The top three employers are the Halifax Regional Medical Center, the County of Halifax, and Halifax County Schools.

As part of our CRA evaluation, we conducted an interview with a contact at a local organization. The organization promotes the business, industrial, and economic development of the area. The contact stated that while economic conditions have improved, low- and moderate-income individuals have a hard time maintaining housing in the AA. The contact identified affordable housing as a primary need

for low- and moderate-income individuals and that many housing units in the area are income based and some low- and moderate-income individuals experience difficulty meeting the thresholds.

## Nash County

New Republic has identified Nash County as an assessment area. The information in the following table provides demographic data for 2016 and 2017-2018.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Nash 2016</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	18	0.0	11.1	50.0	38.9	0.0
Population by Geography	95,840	0.0	8.9	54.6	36.5	0.0
Housing Units by Geography	41,766	0.0	10.6	55.4	34.0	0.0
Owner-Occupied Units by Geography	24,067	0.0	5.4	55.5	39.1	0.0
Occupied Rental Units by Geography	13,695	0.0	15.2	57.8	27.0	0.0
Vacant Units by Geography	4,004	0.0	26.0	46.8	27.2	0.0
Businesses by Geography	5,257	0.0	11.6	57.1	31.2	0.0
Farms by Geography	312	0.0	1.6	70.8	27.6	0.0
Family Distribution by Income Level	25,403	18.8	15.7	19.6	45.9	0.0
Household Distribution by Income Level	37,762	22.3	13.2	18.4	46.0	0.0
Median Family Income MSA - 40580 Rocky Mount, NC MSA		\$49,612	Median Housing Value			\$114,909
			Median Gross Rent			\$676
			Families Below Poverty Level			10.7%
<i>Source: 2010 U.S. Census and 2016 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Nash 2017-2018</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	18	0.0	5.6	66.7	27.8	0.0
Population by Geography	94,722	0.0	5.6	63.8	30.7	0.0
Housing Units by Geography	42,387	0.0	6.0	66.5	27.5	0.0
Owner-Occupied Units by Geography	23,632	0.0	2.7	61.3	36.0	0.0
Occupied Rental Units by Geography	13,079	0.0	9.5	74.1	16.4	0.0
Vacant Units by Geography	5,676	0.0	11.7	70.8	17.4	0.0
Businesses by Geography	5,212	0.0	4.0	70.4	25.6	0.0
Farms by Geography	299	0.0	0.7	69.9	29.4	0.0
Family Distribution by Income Level	23,890	18.9	15.4	20.5	45.2	0.0
Household Distribution by Income Level	36,711	22.5	14.9	16.9	45.6	0.0
Median Family Income MSA - 40580 Rocky Mount, NC MSA		\$48,812	Median Housing Value			\$119,479
			Median Gross Rent			\$702
			Families Below Poverty Level			13.4%
<i>Source: 2015 ACS Census and 2018 D&amp;B Data</i>						
<i>Due to rounding, totals may not equal 100.0</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Nash County AA is made up of the entire county and located east of the Raleigh-Durham-Chapel Hill area, also known as the Research Triangle in North Carolina. Nash County is included in the Metropolitan Statistical Area (MSA) of Rocky Mount-Wilson-Roanoke Rapids. The AA is comprised of 18 census tracts, of which none are low-income census tracts. There is one moderate-income census tract, 12 middle-income census tracts, and 5 upper-income census tracts representing 27.8 percent. The population totals approximately 94,722 and the poverty level was 13.4 percent in 2018.

There is one full-service branch with an ATM attached in the Nash County AA. Considerable competitors exist in the market. New Republic ranks 9<sup>th</sup> out of 10 in the market with 0.81 percent of the market deposit share, representing \$14.9 million. The top three competitors, Southern Bank, PNC and First Carolina, bank hold 55 percent of the total market deposit share. New Republic's deposits in the Nash County AA total approximately 29.4 percent of the bank's total deposits.

As part of our evaluation, we conducted an interview with a community contact at a local organization. The organization provide resources to small businesses in the area to boost economic development in the AA. The contact stated that the majority of the population does not have higher education and job opportunities are scarce. However, the economic condition is expected to improve over the next 18 months as four new businesses have estimated that 3,000 additional jobs will be available in the region by the end of 2020. Current major industries include manufacturing, healthcare and social assistance, and retail trade. The top employers in Nash County include Hospira, Inc, Nash General Hospital, Nash-Rocky Mount Hospitals, and the Consolidated Diesel Company.

## Scope of Evaluation in the State of North Carolina

We performed a full-scope evaluation of all three AAs using the small bank Community Reinvestment ACT (CRA) examination procedures. Based on the bank's strategy and the loans originated during the evaluation period, we determined that home mortgages are the bank's primary loan product.

The evaluation period for home mortgages is January 1, 2016 through December 31, 2018. The evaluation period for the loan-to-deposit ratio is June 30, 2014 through March 31, 2019. While there were loans made in Alamance County in 2016 and 2017, a full-service branch did not open until May 2018. Therefore, we did not consider performance in Alamance County during 2016 and 2017.

## LENDING TEST

The bank's performance under the Lending Test in the state of North Carolina is rated Satisfactory. Based on full-scope reviews, the bank's lending performance in the state of North Carolina is reasonable.

## Distribution of Loans by Income Level of the Geography

The bank exhibits a reasonable geographic distribution of loans in the State of North Carolina.

### *Home Mortgage Loans*

Refer to Table O in the state of North Carolina section of Appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

#### Home Mortgages in Alamance County

The bank exhibits an excellent geographic distribution of loans in the AA. There are no loans in the Alamance County AA for 2016-2017, given that the branch in this AA did not open until May 2018. However, in 2018, the bank made 56.5 percent of loans in moderate-income census tracts, which was higher than the 22.9 percent of owner-occupied housing units in the census tracts. The bank's lending was also higher than aggregate peer lending of 19.9 percent in moderate-income census tracts. There are no low-income census tracts in Alamance County.

#### Home Mortgages in Halifax County

The bank exhibits a reasonable geographic distribution of loans in the AA. In 2017-2018, the bank made 55.6 percent of loans in moderate-income census tracts, which was higher than aggregate lending and the percentage of owner-occupied housing units at 30.6 percent and 41.3 percent respectively. In 2016, the bank did not make any loans in moderate-income census tracts. Aggregate data showed that lenders made 21.1 percent of their loans in the AA and 30.6 percent of owner-occupied housing units were located in moderate-income census tracts. However, all seven middle-income census tracts in the AA were designated as distressed or underserved middle-income census tracts in a non-metropolitan area in 2016. Of the bank's seven loans in the AA for 2016, five of them, or approximately 71.4 percent, were originated in distressed and underserved middle-income census tracts. There are no low-income census tracts in Halifax County.

Home Mortgages in Nash County

The bank exhibits a reasonable geographic distribution of loans in Nash County. There are no low-income census tracts in the AA. In 2016, the bank did not make any loans to moderate-income census tracts. However, opportunity to lend in these tracts was limited, given that only 5.4 of owner-occupied housing units were located in moderate-income census tracts and peer data shows only 2.9 percent of loans in these tracts. In 2017-2018, the bank made 14.3 percent of loans in moderate-income census tracts, which is considerably higher than the percentage of owner-occupied housing units and aggregate peer lending, at 2.7 percent and 1.2 percent respectively.

**Distribution of Loans by Income Level of the Borrower**

The bank exhibits a reasonable distribution of loans to individuals of different income levels, given the product lines offered by the bank.

*Home Mortgage Loans*

Refer to Table P in the state of North Carolina section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Home Mortgages in Alamance County

The distribution of loans represents a reasonable distribution among borrowers of different income levels in Alamance County. The bank did not make any loans to low-income borrowers in 2018 compared to 21.8 of borrowers in this category. However, peer banks also had a low level of lending to low-income borrowers at 4.7 percent of loans. Loans to moderate-income borrowers totaled 4 percent, which is significantly below the percentage of moderate-income families in the Alamance County, which was 17.8 percent. Aggregate lender data shows 15.4 percent of loans were made to moderate-income borrowers.

The distribution of loans in the AA is considered reasonable given that competition is strong and dominated by larger lenders that offer a wider range of products. The bank's deposit market share of 0.01 percent, ranked 16 out of 16 banks in the market, combined with a high poverty level of 14.4 percent in the AA, and the bank's limited product offerings also supports a reasonable distribution of loans in the AA. Borrowers below the poverty line are unlikely to be able to afford a traditional mortgage loan and are less likely to qualify for an investment property, which is the bank's main product and only mortgage offering. Additionally, the percentage of bank loans without available income was 24 percent, higher than the peer percentage of 13.2 percent.

Home Mortgages in Halifax County

The bank's distribution of loans represents reasonable distribution among borrowers of different income levels in Halifax County. In 2016, the bank made 28.6 percent of home mortgages to moderate-income borrowers, which is higher than both the percentage of moderate-income families in the AA and the aggregate peer data, which totaled 18.7 percent and 15.1 percent respectively. In 2017-2018, the bank made 16.7 percent of loans to moderate-income borrowers, near the 18.5 percent of moderate-income families in the AA, and outperforming peer banks who had 13.7 percent of loans to moderate-income families. The bank did not make any loans to low-income borrowers in the AA. However, considering the percentage of families living below the poverty line is 19.1 percent, this is reasonable.

### Home Mortgages in Nash County

The bank's distribution of loans represents a reasonable penetration among borrowers of different income levels in Nash County. In 2016, the bank did not originate any loans to low- or moderate-income borrowers compared to 18.8 percent and 15.7 percent of families in these categories respectively. In 2017-2018, the bank made 4.8 percent of loans to low-income borrowers which was less than the 18.9 percent of low-income borrower in the AA, but higher than the 3.5 percent of loans to low-income borrowers made by peer lenders. The bank made 9.5 percent of loans to moderate-income borrowers, which was near the percentage of families and aggregate lender data at 15.4 percent and 14.3 percent respectively.

Distribution of loans to borrowers of different income levels in the AA is reasonable, given that the bank out-performed peer institution lending to low-income borrowers in 2017-2018, lending to moderate-income borrowers was near peer performance during this same period, and the bank faces significant competition in the AA and is ranked nine out of ten lenders in the market with a deposit market share of only 0.81 percent. Lastly, the poverty rate in the 2016 was elevated at 10.7 percent and increased over our review period to 13.4 percent for 2018. Borrowers below the poverty line are likely unable to afford a traditional mortgage, and less likely to qualify for an investment property, which is the bank's only mortgage product.

### **Responses to Complaints**

The bank did not receive any CRA-related complaints during the evaluation period.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	(01/01/2016 to 12/31/2018)	
<b>Bank Products Reviewed:</b>	Home mortgages	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>North Carolina</b>		
Alamance County	Full-Scope	
Halifax County	Full-Scope	
Nash County	Full-Scope	



## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit, as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for, or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rating Area:** A rated area is a state or multistate metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan statistical area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.
- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-,

and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography -** Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower -** Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2016
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Alamance 2016	0	0	0	4,797	0.0	0.0	0.0	17.1	0.0	11.6	48.3	0.0	50.8	34.6	0.0	37.6	0.0	0.0	0.0	
Halifax 2016	7	387	53.8	568	0.0	0.0	0.0	30.6	0.0	21.1	60.3	71.4	63.7	9.1	28.6	15.1	0.0	0.0	0.0	
Nash 2016	6	538	46.2	1,891	0.0	0.0	0.0	5.4	0.0	2.9	55.5	33.3	51.1	39.1	66.7	46.0	0.0	0.0	0.0	
<b>Total</b>	<b>13</b>	<b>925</b>	<b>100</b>	<b>7,256</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>15.9</b>	<b>0.0</b>	<b>10.1</b>	<b>52.6</b>	<b>53.8</b>	<b>51.9</b>	<b>31.5</b>	<b>46.2</b>	<b>38.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

Source: 2010 U.S. Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2017-18
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Alamance 2018	23	172	8.0	4,858	0.0	0.0	0.0	22.9	56.2	19.9	47.8	26.1	50.0	29.3	17.4	30.1	0.0	0.0	0.0	
Halifax 2018	18	696	36.0	576	0.0	0.0	0.0	41.3	55.6	30.6	49.6	33.3	56.6	9.1	11.1	12.8	0.0	0.0	0.0	
Nash 2018	21	1,330	56.0	2,092	0.0	0.0	0.0	2.7	14.3	1.2	61.3	57.1	57.1	36.0	28.6	41.7	0.0	0.0	0.0	
<b>Total</b>	<b>62</b>	<b>2,198</b>	<b>100.0</b>	<b>7,526</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>19.9</b>	<b>12.0</b>	<b>15.5</b>	<b>52.2</b>	<b>64.0</b>	<b>52.4</b>	<b>27.8</b>	<b>24.0</b>	<b>32.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2016
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Alamance 2016	0	0	0.0	4,797	21.3	0.0	4.7	17.0	0.0	14.9	20.7	0.0	20.8	41.0	0.0	40.9	0.0	0.0	18.7
Halifax 2016	7	387	53.8	568	28.5	0.0	3.5	18.7	28.6	15.1	17.8	0.0	18.8	35.0	71.4	46.8	0.0	0.0	15.7
Nash 2016	6	538	46.2	1,891	18.8	0.0	2.9	15.7	0.0	12.2	19.6	16.7	20.7	45.9	66.7	40.9	0.0	16.7	23.4
<b>Total</b>	<b>13</b>	<b>925</b>	<b>100.0</b>	<b>7,256</b>	<b>21.8</b>	<b>0.0</b>	<b>4.1</b>	<b>16.9</b>	<b>15.4</b>	<b>14.3</b>	<b>19.8</b>	<b>7.7</b>	<b>20.6</b>	<b>41.5</b>	<b>69.2</b>	<b>41.3</b>	<b>0.0</b>	<b>7.7</b>	<b>19.7</b>

Source: 2010 U.S. Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2017-18
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Alamance 2018	23	172	8.0	4,858	21.8	0.0	4.7	17.8	4.0	15.4	18.3	8.0	23.1	42.1	64.0	43.7	0.0	24.0	13.2
Halifax 2018	18	696	36.0	576	28.6	0.0	5.0	18.5	16.7	13.7	16.3	0.0	22.7	36.5	77.8	46.0	0.0	5.6	12.5
Nash 2018	21	1,330	56.0	2,092	18.9	4.8	3.5	15.4	9.5	14.3	20.5	14.3	23.2	45.2	38.1	43.1	0.0	33.3	15.9
<b>Total</b>	<b>62</b>	<b>2,198</b>	<b>100.0</b>	<b>7,526</b>	<b>22.1</b>	<b>1.6</b>	<b>4.4</b>	<b>17.2</b>	<b>9.4</b>	<b>14.9</b>	<b>18.6</b>	<b>7.8</b>	<b>23.1</b>	<b>42.0</b>	<b>59.4</b>	<b>43.7</b>	<b>0.0</b>	<b>21.9</b>	<b>13.9</b>

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0